

**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**



**Interim condensed consolidated financial information and
independent auditor's review report
for the nine month period ended 30 September 2020
(Unaudited)**



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**

for the nine month period ended 30 September 2020

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors
Independent Petroleum Group Company - K.S.C.P
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Independent Petroleum Group Company – K.S.C.P. (“the Parent Company”) and its subsidiaries (collectively “the Group”) as at 30 September 2020 and the related interim condensed consolidated statements of income and other comprehensive income for the three months and nine months period then ended and the related interim condensed consolidated statement of changes in equity and cash flows for the nine months then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.


Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 for 2016, its Executive Regulation, as amended or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2020 that might have had a material effect on the Group’s financial position or results of its operations.

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We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law 7 of 2010, concerning the Capital Markets Authority and Organization of Security Activity, as amended and its executive regulations during the period ended September 30, 2020 that might have had a material effect on the Parent Company's financial position or result of its operations.

State of Kuwait
3 November 2020

A handwritten signature in blue ink, appearing to read 'Dr. Shuaib A. Shuaib', is written over a horizontal blue line.

Dr. Shuaib A. Shuaib
Licence No. 33 - A
RSM Albazie & Co.



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**

Interim condensed consolidated statement of income (unaudited)
for the three month and nine month periods ended 30 September 2020

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2020	2019	2020	2019
		KD '000	KD '000	KD '000	KD '000
Sales	15	128,485	170,424	361,376	521,003
Cost of sales		(125,264)	(167,894)	(344,920)	(508,570)
Gross profit		3,221	2,530	16,456	12,433
Net interest relating to oil marketing operations	3	(666)	(1,030)	(2,406)	(3,460)
Net results of oil marketing operations		2,555	1,500	14,050	8,973
Share of results of joint venture and associates	9 & 10	2,519	884	5,145	3,400
Dividend income	8	-	-	850	-
General and administrative expenses		(456)	(299)	(1,229)	(1,089)
Staff costs		(1,246)	(1,082)	(4,001)	(3,709)
Depreciation		(413)	(463)	(1,249)	(1,417)
Net provisions	5	(3,979)	-	(6,949)	(4,557)
Unrealized gain from investments at fair value through statement of income		2,330	167	436	4,451
Net other (expenses) / income	4	(125)	32	(605)	(292)
Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		1,185	739	6,448	5,760
Contribution to KFAS		(13)	(8)	(65)	(58)
Contribution to NLST		(29)	(18)	(161)	(144)
Profit for the period		1,143	713	6,222	5,558
Earnings per share (fils)	6	6.33	3.94	34.42	30.74

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**

Interim condensed consolidated statement of comprehensive income (unaudited)
for the three and nine month periods ended 30 September 2020

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
Profit for the period	1,143	713	6,222	5,558
Other comprehensive (loss) / income:				
<u>Items that will not be reclassified subsequently to statement of income:</u>				
Changes in fair value of investments at fair value through other comprehensive income	(127)	(65)	258	(79)
<u>Items that may be reclassified subsequently to statement of income:</u>				
Foreign currency translation adjustments	(301)	56	7	90
Other comprehensive (loss) / income for the period	(428)	(9)	265	11
Total comprehensive income for the period	715	704	6,487	5,569

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**

**Interim condensed consolidated statement of financial position (unaudited)
as at 30 September 2020**

	Notes	30 September 2020 KD '000	31 December 2019 KD '000 (Audited)	30 September 2019 KD '000
ASSETS				
Cash on hand and at banks	7	30,299	21,545	47,049
Trade and other receivables	5	96,282	87,443	99,521
Inventories		18,173	22,234	17,110
Investments at fair value through statement of income	8	61,718	60,639	58,553
Investments at fair value through other comprehensive income	8	2,213	2,185	2,411
Current portion of other loans	5	-	6,629	-
Total current assets		208,685	200,675	224,644
Investments at fair value through other comprehensive income	8	26,997	26,732	24,209
Investment in joint venture	9	5,460	3,788	4,556
Investment in associates	10	30,860	28,456	28,779
Property and equipment	11&5	30,511	30,076	31,008
Other loans		4,830	4,779	711
Right to use of asset		1,511	4,225	5,151
Total non-current assets		100,169	98,056	94,414
Total assets		308,854	298,731	319,058
LIABILITIES AND EQUITY				
Due to banks	8	135,069	110,124	122,099
Trade and other payables	5	58,477	70,474	80,707
Current portion of term loans	11	1,632	1,595	1,600
Current portion of lease liability		1,561	3,699	-
Directors' fees payable		-	80	-
Total current liabilities		196,739	185,972	204,406
Non-current portion of term loans	11	11,274	12,386	12,832
Non-current portion of lease liability		-	610	5,228
Provision for staff indemnity		1,619	1,604	1,545
Total non-current liabilities		12,893	14,600	19,605
Total liabilities		209,632	200,572	224,011
Equity				
Share capital	12	18,841	18,841	18,841
Share premium		29,665	29,665	29,665
Legal reserve		9,420	9,420	8,912
General reserve		606	606	606
Fair value reserve		24,746	24,488	22,179
Foreign currency translation adjustments		(2,459)	(2,466)	(2,191)
Treasury shares reserve		1,429	1,429	1,429
Treasury shares	13	(2,770)	(2,770)	(2,770)
Retained earnings		19,744	18,946	18,376
Total equity		99,222	98,159	95,047
Total liabilities and equity		308,854	298,731	319,058

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Ali Mohammed Al-Radwan
Chairman

Ghazi Fahad Al-Nafisi
Vice Chairman

Waleed J. Hadeed
Chief Executive Officer



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**

**Condensed consolidated statement of changes in equity (unaudited)
for the nine month period ended 30 September 2020**

	Share capital KD '000	Share premium KD '000	Legal reserve KD '000	General reserve KD '000	Fair value reserve KD '000	Foreign currency translation adjustments KD '000	Treasury shares reserve KD '000	Treasury shares KD '000	Retained earnings KD '000	Total KD '000
Balance at 1 January 2020	18,841	29,665	9,420	606	24,488	(2,466)	1,429	(2,770)	18,946	98,159
Total comprehensive income for the period	-	-	-	-	-	-	-	-	6,222	6,222
Profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	258	7	-	-	-	265
Total comprehensive income for the period	-	-	-	-	258	7	-	-	6,222	6,487
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Dividends for 2019 (Note 18)	-	-	-	-	-	-	-	-	(5,424)	(5,424)
Balance at 30 September 2020	18,841	29,665	9,420	606	24,746	(2,459)	1,429	(2,770)	19,744	99,222

The accompanying notes form an integral part of this interim condensed consolidated financial information



Independent Petroleum Group Company K.S.C.P.
and subsidiaries
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Condensed consolidated statement of changes in equity (unaudited)
for the nine month period ended 30 September 2020

	Share capital KD '000	Share premium KD '000	Legal reserve KD '000	General reserve KD '000	Fair value reserve KD '000	Foreign currency translation adjustments KD '000	Treasury shares reserve KD '000	Treasury shares KD '000	Retained earnings KD '000	Total KD '000
Balance at 1 January 2019	18,841	29,665	8,912	606	22,258	(2,281)	1,429	(2,770)	18,242	94,902
Total comprehensive income for the period	-	-	-	-	-	-	-	-	5,558	5,558
Profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss) income	-	-	-	-	(79)	90	-	-	-	11
Total comprehensive (loss) income for the period	-	-	-	-	(79)	90	-	-	5,558	5,569
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Dividends for 2018 (Note 18)	-	-	-	-	-	-	-	-	(5,424)	(5,424)
Balance at 30 September 2019	18,841	29,665	8,912	606	22,179	(2,191)	1,429	(2,770)	18,376	95,047

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Independent Petroleum Group Company K.S.C.P.
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**Condensed consolidated statement of cash flows (unaudited)
for the nine month period ended 30 September 2020**

	Notes	2020 KD '000	2019 KD '000
OPERATING ACTIVITIES			
Profit before provisions for contribution to KFAS, NLST and Zakat		6,448	5,760
<i>Adjustments for:</i>			
Depreciation		1,249	1,417
Net provisions	5	6,949	4,557
Interest expense	3	3,030	4,330
Dividend income		(850)	-
Unrealised gain from investments at fair value through statement of income		(436)	(4,451)
Share of results from joint venture and associates	9 & 10	(5,145)	(3,400)
Interest income	3	(624)	(870)
Interest on lease liability		89	-
Amortisation of rights of use asset		2,714	-
Provision for staff indemnity		184	197
		<u>13,608</u>	<u>7,540</u>
<i>Changes in operating assets and liabilities:</i>			
Trade and other receivables		(9,263)	(24,596)
Other loans		62	-
Lease liability		(2,837)	-
Inventories		4,061	19,190
Trade and other payables		(11,896)	7,577
Cash flows (used in) / generated from operations		<u>(6,265)</u>	<u>9,711</u>
Interest received		615	870
Payment to KFAS		(70)	(65)
Payment of staff indemnity		(169)	(6)
Directors' fees paid		(80)	(80)
Net cash (used in) / generated from operating activities		<u>(5,969)</u>	<u>10,430</u>
INVESTING ACTIVITIES			
Dividends received		2,256	3,857
Proceeds of loans to associate		-	1,334
Purchase of property and equipment		(1,393)	(477)
Net cash flows generated from investing activities		<u>863</u>	<u>4,714</u>
FINANCING ACTIVITIES			
Due to banks		24,945	(23,001)
Repayment of term loans		(1,075)	(1,267)
Dividends paid	18	(5,424)	(5,424)
Interest paid		(3,286)	(4,491)
Net cash flows generated from / (used in) financing activities		<u>15,160</u>	<u>(34,183)</u>
Effect of foreign currency translation		(1,300)	27
Net change in cash on hand and at banks		<u>8,754</u>	<u>(19,012)</u>
Cash on hand and at banks at beginning of the period		21,545	66,061
Cash on hand and at banks at end of the period	7	<u>30,299</u>	<u>47,049</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
State of Kuwait**

**Notes to the interim condensed consolidated financial information (unaudited)
for the nine month period ended 30 September 2020**

1. Incorporation and activities

Independent Petroleum Group K.S.C.P. (the "Parent Company") was established on 11 September 1976 as a Kuwaiti shareholding company under commercial registration No. 24496. The shares of the Parent Company were listed on the Boursa Kuwait on 10 December 1995.

The objectives of the Parent Company and its wholly owned subsidiaries (the "Group") are as follows:

Benefit from national scientific and business expertise in petroleum and petrochemical industry to achieve the following objectives:

- a) Provide economic, technical and specialist advisory services to oil and petrochemicals producing and consuming governments and companies, in areas of marketing, refining, production, investment, financial affairs, planning, maritime transport, organization, training and other areas related to oil and petrochemicals;
- b) Conduct marketing researches, and gather and publish information about the oil and petrochemicals industry;
- c) Provide specialist services to the oil and petrochemicals consuming and producing governments to expedite communications and maintain consistent relationships among them;
- d) Initiate and carry out marketing operations and industrial projects for its own account or the account of oil and petrochemicals consuming and producing governments or in collaboration and participation with them in all areas of oil and petrochemical industry;
- e) Acquire facilities, tools, equipment and all other instruments used in oil and petrochemicals industry including manufacturing plants, transport means and others, for its own account or in participation with oil and petrochemicals producing and consuming governments and companies all over the world; and
- f) Act as agents and representatives for oil and petrochemicals producing and consuming governments and companies, and carry out all other operations required by company's activities, interests and objectives including sale, purchase and acquisition in all areas related to oil and petrochemicals.

The Parent Company may have interest or to participate in any manner with entities that carry on similar business or that may assist it with achieving its objectives in the State of Kuwait or abroad, and it may buy these entities or acquire them as subsidiaries.

The registered address of the Parent Company is P.O. Box 24027, Safat 13101, State of Kuwait.

The interim condensed consolidated financial information for the nine month period ended 30 September 2020 was authorized for issue by the Chairman on behalf of the Board of Directors on 3 November 2020.



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the interim condensed consolidated financial information (unaudited)
for the nine month period ended 30 September 2020**

2. Basis of preparation

a) Statement of compliance

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The interim condensed consolidated financial information does not include all the information and notes required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the nine month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. For further information, refer to the annual consolidated financial statements and notes thereto for the year ended 31 December 2019.

The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

Changes in accounting policies

The following revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in the interim condensed consolidated financial information. Their adoption has not had any material impact on the disclosures or on the amounts reported in the interim condensed consolidated financial information.

Amendment to IFRS 3: Definition of a Business

The amendment in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.



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**Notes to the interim condensed consolidated financial information (unaudited)
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This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

This amendment is not expected to have a material impact on the Group's interim condensed consolidated financial information.

Amendment to IAS 1 and IAS 8: Definition of Material

The amendment provides a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the interim condensed consolidated financial information of the Group, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial information of the Group.

Amendment to IFRS 16 "leases" – COVID-19-Related Rent Concessions

COVID-19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorized for issue at 28 May 2020.

A lessee shall apply COVID-19-Related Rent Concessions retrospectively, recognizing the cumulative effect of initially applying that amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

This amendment is not expected to have a material impact on the Group's interim condensed consolidated financial information.



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the interim condensed consolidated financial information (unaudited)
for the nine month period ended 30 September 2020**

Other than the above, several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

New and revised IFRSs in issue but not yet effective and not early adopted:

At the date of authorization of this interim condensed consolidated financial information, there are several amendments on IFRS in issue but not yet effective and not early adopted by the Group. The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's interim condensed consolidated financial information as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the interim condensed consolidated financial information

b) Judgments and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2019, with the exception of the impact of the COVID-19 outbreak on the Group (Note 19).

3. Net interest relating to oil marketing operations

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
Interest income	94	268	624	870
Interest expense	(760)	(1,298)	(3,030)	(4,330)
	<u>(666)</u>	<u>(1,030)</u>	<u>(2,406)</u>	<u>(3,460)</u>

4. Net other (expenses) / income

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
Net foreign currency exchange gain (loss)	<u>(125)</u>	<u>32</u>	<u>(605)</u>	<u>(292)</u>



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the interim condensed consolidated financial information (unaudited)
for the nine month period ended 30 September 2020**

5. Net provisions

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020	2019	2020	2019
	KD '000	KD '000	KD '000	KD '000
Impairment of vessels (a)	-	-	-	(1,557)
Expected credit loss (b)	(3,979)	-	(35,303)	(3,000)
Amount written back (c)	-	-	28,354	-
	<u>(3,979)</u>	<u>-</u>	<u>(6,949)</u>	<u>(4,557)</u>

- a) The provision of Nil (30 September 2019: KD 1.56 million) represents provision for impairment of vessels owned by D&K Holdings L.L.C, a wholly owned subsidiary of the Parent Company.
- b) During the period, the Group's management has reviewed its financial assets for the impact of COVID-19 and has recognized provisions towards expected credit losses on trade receivables and other loans amounting to KD 35.30 million (30 September 2019: KD 3 million). The management has assessed that the provisions are a collective impact of the prevailing economic and political situation in the region, effect of market deterioration on the group's local and international operations, default events including delay in payments and commencement of arbitration observed during the period ended 30 September 2020.
- c) During the period, the Group's management has reviewed its estimates of cost and accrued expenses including freight and demurrage with regard to certain cancelled contracts. Based on the review, the management has assessed a write back of KD 28.35 million for the accrued expenses no longer required (30 September 2019: Nil).



**Independent Petroleum Group Company K.S.C.P.
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State of Kuwait**

**Notes to the interim condensed consolidated financial information (unaudited)
for the nine month period ended 30 September 2020**

6. Earnings per share

Earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
Profit for the period	<u>1,143</u>	<u>713</u>	<u>6,222</u>	<u>5,558</u>
Weighted average number of issued shares outstanding during the period	188,407,500	188,407,500	188,407,500	188,407,500
Weighted average number of treasury shares outstanding during the period	<u>(7,620,000)</u>	<u>(7,620,000)</u>	<u>(7,620,000)</u>	<u>(7,620,000)</u>
Weighted average number of shares outstanding during the period	<u>180,787,500</u>	<u>180,787,500</u>	<u>180,787,500</u>	<u>180,787,500</u>
Earnings per share (fils)	<u>6.33</u>	<u>3.94</u>	<u>34.42</u>	<u>30.74</u>

7. Cash on hand and at banks

	30 September 2020 KD '000	31 December 2019 KD '000 (Audited)	30 September 2019 KD '000
Cash and bank balances	10,353	8,012	33,552
Call accounts and time deposits	<u>19,946</u>	<u>13,533</u>	<u>13,497</u>
	<u>30,299</u>	<u>21,545</u>	<u>47,049</u>



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the interim condensed consolidated financial information (unaudited)
for the nine month period ended 30 September 2020**

8. Investments

	30 September 2020 KD '000	31 December 2019 KD '000 (Audited)	30 September 2019 KD '000
Investments at fair value through statement of income			
Managed portfolios	61,718	60,639	58,553
	<u>61,718</u>	<u>60,639</u>	<u>58,553</u>
Investments at fair value through other comprehensive income			
Unquoted securities (Non – current)	26,997	26,732	24,209
Unquoted securities (Current)	2,213	2,185	2,411
	<u>29,210</u>	<u>28,917</u>	<u>26,620</u>

Investments at fair value through statement of income with a carrying amount of KD 61.72 million (31 December 2019: KD 60.64 million and 30 September 2019: KD 58.55 million) are pledged as collateral against amounts due to banks.

Unquoted securities includes Group's investment in Vopak Horizon Fujairah Limited (VHFL) and Asia Petroleum Limited (APL) amounting to KD 25.25 million and KD 1.74 million respectively. At the reporting date, the Group determined that carrying value of above unquoted securities approximates to their fair value.

During the period ended 30 September 2020, the Group received a dividend of KD 850 thousand (30 September 2019: KD Nil million) from VHFL.

9. Investment in joint venture

The Group has a 50% equity shareholding with equivalent voting power in Uniterminals Ltd, Lebanon. Following are the details of share of results from joint venture recorded during the period:

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
Uniterminals Ltd, Lebanon	1,157	210	1,633	659



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10. Investment in associates

Following are the details of share of results from associates recorded during the period:

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
Horizon Singapore Terminals Private Ltd Arab Tank Terminals L.L.C.	381	91	1,021	576
Inpetro SARM	64	(25)	20	(151)
Horizon Djibouti Holdings Ltd.	154	128	612	576
Horizon Tangiers Terminals SA.	429	294	950	1,018
	334	186	909	722
	<u>1,362</u>	<u>674</u>	<u>3,512</u>	<u>2,741</u>

11. Property and equipment

Property and equipment at 30 September 2020 includes KD 28.06 million (31 December 2019: KD 29.02 million and 30 September 2019: KD 29.79 million) related to vessels owned by one of the subsidiaries, D&K Holdings L.L.C (Note 5). Term loan fully relates to the financing of these vessels which are mortgaged against the term loan.

12. Share capital

The authorised, issued and fully paid share capital consists of 188,407,500 shares of 100 fils each (31 December 2019: 188,407,500 shares of 100 fils each and 30 September 2019: 188,407,500 shares of 100 fils each).

13. Treasury shares

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Number of shares	7,620,000	7,620,000	7,620,000
Percentage of issued shares	4%	4%	4%
Market value (KD Million)	3.27	3.67	3.49
Cost (KD Million)	2.77	2.77	2.77

The Parent Company has allotted certain amount to the treasury shares balance from the available retained earnings as of 31 December 2019. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.



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14. Related party transactions and balances

These represent transactions with related parties in the normal course of business. The related party transactions and balances included in the interim condensed consolidated financial information are as follows:

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 KD '000	2019 KD '000	2020 KD '000	2019 KD '000
a) Revenues and expenses:				
<i>Sales</i>				
Joint venture	<u>8,519</u>	<u>42,820</u>	<u>30,020</u>	<u>111,683</u>
<i>Storage expense</i>				
Associates	<u>1,314</u>	<u>1,310</u>	<u>3,953</u>	<u>3,784</u>
b) Key management remuneration				
Salaries and other short-term benefits	<u>244</u>	<u>248</u>	<u>732</u>	<u>737</u>
Termination benefits	<u>21</u>	<u>33</u>	<u>65</u>	<u>86</u>
c) Due from / to related parties:				
	30 September 2020 KD '000	31 December 2019 KD '000 (Audited)	30 September 2019 KD '000	
<i>Due from related parties</i>				
Trade and other receivables	4,315	3,444	18,264	
Other loans	4,830	4,779	711	
	30 September 2020 KD '000	31 December 2019 KD '000 (Audited)	30 September 2019 KD '000	
<i>Due to related parties</i>				
Trade and other payables	1,174	134	713	



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15. Segment information

The Group primarily operates in trading of crude oil and petroleum products. The trading of crude oil and petroleum products is also related to storage and distribution operations. These operations are inter-related and subject to similar risks and returns. The management has determined that the Group is considered to have a single reportable operating segment.

The Group operates in different geographic locations. Information about the Group's reportable operating segment is summarised as follows:

	Three month period ended 30 September			
	2020		2019	
	Segment revenues KD '000	Segment results KD '000	Segment revenues KD '000	Segment results KD '000
Africa and Middle East	128,485	4,693	170,421	2,293
Asia and Far East	-	381	3	91
	<u>128,485</u>	<u>5,074</u>	<u>170,424</u>	<u>2,384</u>
Unallocated corporate items		(3,931)		(1,671)
Profit for the period		<u>1,143</u>		<u>713</u>
	Nine month period ended 30 September			
	2020		2019	
	Segment revenues KD '000	Segment results KD '000	Segment revenues KD '000	Segment results KD '000
Africa and Middle East	361,376	19,024	513,151	11,856
Asia and Far East	-	1,021	7,852	517
	<u>361,376</u>	<u>20,045</u>	<u>521,003</u>	<u>12,373</u>
Unallocated corporate items		(13,823)		(6,815)
Profit for the period		<u>6,222</u>		<u>5,558</u>



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	Africa and Middle East KD '000	Europe KD '000	Asia and Far east KD '000	Total KD '000
30 September 2020				
Segment assets	86,868	183	9,231	96,282
Unallocated corporate assets	-	-	-	212,572
Total assets	86,868	183	9,231	308,854
Segment liabilities	27,816	13,977	-	41,793
Unallocated corporate liabilities	-	-	-	167,839
Total liabilities	27,816	13,977	-	209,632
31 December 2019 (Audited)				
Segment assets	78,309	-	9,134	87,443
Unallocated corporate assets	-	-	-	211,288
Total assets	78,309	-	9,134	298,731
Segment liabilities	13,173	23,723	-	36,896
Unallocated corporate liabilities	-	-	-	163,676
Total liabilities	13,173	23,723	-	200,572
30 September 2019				
Segment assets	70,905	299	9,164	80,368
Unallocated corporate assets	-	-	-	238,690
Total assets	70,905	299	9,164	319,058
Segment liabilities	25,484	20,556	282	46,322
Unallocated corporate liabilities	-	-	-	177,689
Total liabilities	25,484	20,556	282	224,011



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16. Contingent liabilities and commitments

	30 September 2020 KD '000	31 December 2019 KD '000 (Audited)	30 September 2019 KD '000
Letters of guarantee and bid bonds	2,233	738	1,916
Letters of credit	41,771	61,377	58,880
	<u>44,004</u>	<u>62,115</u>	<u>60,796</u>
Commitments			
Investments in projects	<u>12,634</u>	<u>21,058</u>	<u>3,774</u>

17. Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Fair value hierarchy			
	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
30 September 2020				
Investments at fair value through other comprehensive income	-	2,213	26,997	29,210
Investments at fair value through statement of income	61,718	-	-	61,718
	<u>61,718</u>	<u>2,213</u>	<u>26,997</u>	<u>90,928</u>
31 December 2019 (Audited)				
Investments at fair value through other comprehensive income	-	2,185	26,732	28,917
Investments at fair value through statement of income	60,639	-	-	60,639
	<u>60,639</u>	<u>2,185</u>	<u>26,732</u>	<u>89,556</u>
30 September 2019				
Investments at fair value through other comprehensive income	-	2,411	24,209	26,620
Investments at fair value through statement of income	58,553	-	-	58,553
	<u>58,553</u>	<u>2,411</u>	<u>24,209</u>	<u>85,173</u>

During the period, there were no transfers among the fair value levels.



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18. Annual General Assembly

The Shareholders' Annual General Assembly held on 26 March 2020 approved the annual audited consolidated financial statements for the year ended 31 December 2019 and payment of a cash dividend of 30 fils per share amounting to KD 5.42 million for the year ended 31 December 2019.

The Shareholders' Annual General Assembly held on 20 February 2019 approved the annual audited consolidated financial statements for the year ended 31 December 2018 and payment of a cash dividend of 30 fils per share amounting to KD 5.42 million for the year ended 31 December 2018.

19. Impact of COVID – 19

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the interim condensed consolidated financial information. The Group's business operations are affected as a result of significant weaker oil prices and a general decline in demand owing to slowdown in GDP growth and industrial activity. These adverse conditions directly translated into declining commodity prices and caused product prices to fall.

Given below are the key assumptions, judgements and key sources of estimation considered by the management for the period ended 30 September 2020.

Impairment of property and equipment

The Group's management tested its property and equipment for impairment as at the reporting date due to indicators of impairments existing at that date.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections discounted at an appropriate rate. For the purpose of the impairment testing, assets are grouped together into CGU. In calculating value in use, certain assumptions are required to be made in respect of highly uncertain matters including the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

The Group prepares detailed long term plans for its property and equipment which are reflected in the financial models. These plans have been reviewed and approved by the management of the Group and has been subsequently used as the basis for its impairment reviews. In estimating the value in use, the Group uses financial models which are regularly reviewed and updated over the operating period of the assets. As part of the review process, management challenged and re-assessed the validity of the underlying assumptions of these financial models and have concluded that it has adequate provision on impacted assets for the period ended 30 September 2020 (Note 5).

Expected Credit Losses ("ECL") and impairment of financial assets

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. The Group has updated the relevant forward-looking information of its operations with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors. As a result, the Group determined that it has adequate provision on impacted assets for the period ended 30 September 2020 (Note 5).



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Impairment of investments in joint ventures, associates and other assets

The Group's management reviews periodically its investment in joint venture and associates to assess whether indicators exist that the investment is impaired.

The Group has performed a qualitative assessment for its investments in joint ventures and associates and compared the actual results for the period ended 30 September 2020 against the budget and industry benchmarks and conclude that the impairment assessment remains unchanged.

The Group has also considered any impairment indicators and any significant uncertainties impacting its inventories and right-of-use assets especially arising from any change in lease terms and concluded that there is no material impact of COVID-19.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections indicate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these interim condensed consolidated financial information have been appropriately prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance in 2020.